



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Lincoln County Farmer's Mutual Insurance Company for the period ended December 31, 2017, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 380.491, RSMo, adopt such report. The findings and conclusions of the report are incorporated by reference herein and are deemed to be my findings and conclusions.

Based on such findings and conclusions, I hereby ORDER Lincoln County Farmer's Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed in such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions; and (2) submit a signed copy of the minutes of the meeting which reflect a corporate resolution to the effect the Examination Report has been reviewed and accepted.

So ordered, signed and official seal affixed this 20th day of June, 2019.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers". The signature is written in a cursive style and is positioned above the printed name and title.

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
LINCOLN COUNTY FARMER'S MUTUAL INSURANCE
COMPANY
AS OF
DECEMBER 31, 2017**



STATE OF MISSOURI

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

<u>Subject</u>	<u>Page</u>
SALUTATION	1
SCOPE OF EXAMINATION:	
Period Covered	1
Procedures	1
HISTORY:	
General	2
Management	2
Conflict of Interest	3
Corporate Records	3
FIDELITY BOND AND OTHER INSURANCE	3
EMPLOYEE BENEFITS	4
INSURANCE PRODUCTS AND RELATED PRACTICES:	
Territory and Plan of Operation	4
Policy Forms & Underwriting	4
GROWTH AND LOSS EXPERIENCE OF THE COMPANY	4
REINSURANCE:	
General	5
Assumed	5
Ceded	5
ACCOUNTS AND RECORDS	6
FINANCIAL STATEMENTS:	
Analysis of Assets	7
Liabilities, Surplus and Other Funds	7
Statement of Income	8
Reconciliation of Surplus	8
NOTES TO THE FINANCIAL STATEMENTS	9
EXAMINATION CHANGES	9
SUBSEQUENT EVENTS	9
SUMMARY OF RECOMMENDATIONS	9
ACKNOWLEDGMENT	10
VERIFICATION	10
SUPERVISION	11

January 14, 2019
Troy, Missouri

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your examination warrant, a full-scope examination has been made of the records, affairs and financial condition of

LINCOLN COUNTY FARMER'S MUTUAL INSURANCE COMPANY

hereinafter referred to as such, or as the "Company." The Company's administrative office is located at 320 Main Street (P.O. Box 273), Troy, Missouri 63379, telephone number (636) 528-8242. This examination began on October 16, 2018 and was concluded on the above date, and is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

The prior full-scope examination of the Company was made as of December 31, 2012, and was conducted by examiners from the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP). The current full-scope examination covers the period from January 1, 2013, through December 31, 2017, and was conducted by examiners from the DIFP.

This examination also included material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

HISTORY

General

The Company was originally organized on October 6, 1900, and incorporated on November 22, 1900, as Lincoln County Farmers Mutual Fire and Lightning Insurance Company. On January 22, 2000, the Company changed its name to Lincoln County Farmer's Mutual Insurance Company.

The Company has a Certificate of Authority dated December 1, 1988, and is covered by Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company's Certificate of Authority is renewed annually.

Management

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the third Saturday in March at the home office of the Company or at such other place and time as may be designated by management. Special meetings of the members may be called at any time, and shall be called upon petition of one-fourth of the members.

The management of the Company is vested in the Board of Directors, who are elected from the general membership. The Board of Directors consists of seven members, serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets approximately every month, and each director is compensated \$150 per meeting attended.

Members serving on the Board of Directors, as of December 31, 2017, were as follows:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term End Date</u>
James Mayes Elsberry, MO	Retired	2019
Paul Lovell Silex, MO	Retired	2019
Charles Watson Troy, Missouri	Retired	2018
Daniel Gooding Silex, MO	Retired	2020
Bobbi Kadlec Moscow Mills, MO	Retired	2018

Charles Henebry
Troy, Missouri

Farmer/Retired

2020

Alfred Gibson
Silex, Missouri

Farm Equipment Sales

2019

The Board of Directors appoints the officers of the Company for a term of one year. The officers of the Company serving at December 31, 2017, were as follows:

<u>Name</u>	<u>Office</u>
James Mayes	President
Paul Lovell	Vice-President
Charles Watson	Secretary / Treasurer

Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis. A review of the completed conflict of interest statements noted no material conflicts disclosed.

Corporate Records

A review was made of the Articles of Incorporation and the Bylaws of the Company. The Articles of Incorporation were amended on March 2, 2013 to change the date of the annual meeting to the third Saturday of each March.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect corporate transactions and events.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond providing a limit of liability of \$50,000.

The Company carries liability coverage for its directors and officers and errors and omissions coverage for its agents. The Company also carries property coverage on its home office and contents, as well as general liability insurance and workers' compensation insurance.

EMPLOYEE BENEFITS

The Company has three full-time employees and two part-time employees. Other than wages, the only benefit provided to the employees by the Company is paid time off.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the DIFP as an Extended Missouri Mutual Insurance Company operating under Sections 380.201 through 380.611 RSMo. (Extended Missouri Mutual Insurance Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. The Company's policies are sold by two licensed agents, who are salaried employees of the Company.

Policy Forms and Underwriting Practices

The Company utilizes AAIS, MAMIC Mutual Insurance Company, and its reinsurer's policy forms. The policies are continuously renewed on an annual basis. Property inspections are completed by the Company's employees and adjusting functions are performed by a third-party. Rates are determined by the Board of Directors.

GROWTH AND LOSS EXPERIENCE OF THE COMPANY

Year	Admitted Assets	Liabilities	Gross Premiums	Gross Losses	Investment Income	Underwriting Income	Net Income
2017	\$2,799,834	\$537,787	\$1,129,556	\$313,538	\$56,275	\$ 66,555	\$ 87,344
2016	2,683,878	511,394	1,118,300	303,641	58,330	121,356	112,482
2015	2,591,557	531,555	1,162,431	570,574	46,377	(117,460)	(65,802)
2014	2,644,517	518,713	1,135,411	410,731	73,662	98,254	131,695
2013	2,490,447	500,555	1,081,297	110,323	45,728	300,891	216,475

At year-end 2017, 1,622 policies were in force.

REINSURANCE

General

The Company's written premium activity on a direct, assumed and ceded basis for the period under examination is shown below:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Direct	\$1,081,297	\$1,135,411	\$1,162,431	\$1,118,300	\$1,129,556
Assumed	0	0	0	0	0
Ceded	<u>(371,245)</u>	<u>(326,945)</u>	<u>(354,025)</u>	<u>(357,681)</u>	<u>(366,637)</u>
Net	<u>\$ 710,052</u>	<u>\$ 808,466</u>	<u>\$ 808,406</u>	<u>\$ 760,619</u>	<u>\$ 762,919</u>

Assumed

MAMIC Mutual Insurance Company (MAMIC) had direct policies to insure agents' errors and omissions liability and directors' and officers' liability risks for various mutual insurance companies, including the Company. All of the policy risks insured by MAMIC for these two products are pooled and ceded to participating mutual insurance companies. The Company assumes a 2% share of the interests and liabilities of the MAMIC pooled risks.

While the Company does assume business through the reinsurance pool with MAMIC, the assumed premiums were not reported in the Annual Statements during the examination period.

Ceded

The Company cedes business to Grinnell Mutual Reinsurance Company (the reinsurer) through a reinsurance agreement that provides per risk excess of loss and aggregate excess coverage for property and liability risks.

Under the per risk excess of loss section of the agreement, the Company retains \$100,000 of property losses per risk, and the reinsurer's maximum limit is \$14,900,000 per risk. Under the aggregate excess section of the agreement, the reinsurer is liable for 100% of the property losses in excess of the aggregate attachment point, which was \$625,000 for 2017.

The agreement also provides liability reinsurance coverage. Company cedes 100% of its liability premium and losses to the reinsurer, and receives a 20% ceding commission. The reinsurer's maximum liability limit is \$1,000,000 per occurrence.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that any assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

The accounting records are maintained by the Company on an income tax basis. Sara Burkemper, CPA, compiles the Annual Statement and prepares tax filings.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS
December 31, 2017

Bonds	\$ 312,892
Mutual Funds	137,497
Real Estate	34,905
Cash on Deposit	2,158,510
Other Investments	124,530
Federal Income Tax Recoverable	22,470
Interest Due and Accrued	5,319
Asset Write-ins	3,711
	<hr/>
Total Assets	\$2,799,834
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LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2017

Gross Losses Unpaid	\$ 34,067
Gross Loss Adjustment Expense Unpaid	1,800
Ceded Reinsurance Premium Payable	30,992
Unearned Premiums	467,278
Payroll Tax	3,650
	<hr/>
Total Liabilities	\$ 537,787
Guaranty Fund	\$ 150,000
Other Surplus	2,112,047
	<hr/>
Total Surplus	\$2,262,047
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Total Liabilities and Surplus	\$2,799,834
	<hr/>

STATEMENT OF INCOME
For the Year Ending December 31, 2017

Net Premiums Earned	\$ 758,389
Other Insurance Income	28,886
Net Losses & Loss Adjusting Expenses Incurred	(354,036)
Other Underwriting Expenses Incurred	(366,684)

Net Underwriting Income (Loss)	\$ 66,555
Net Investment Income	47,619
Other Income	7,200

Gross Profit (Loss)	\$ 121,374
Federal Income Tax	(34,030)

Net Income (Loss)	\$ 87,344
	=====

RECONCILIATION OF SURPLUS
Changes from January 1, 2013 to December 31, 2017
(\$000's omitted)

	2013	2014	2015	2016	2017
Capital and Surplus, Beginning of Year	\$1,779	\$1,990	\$2,126	\$2,060	\$2,172
Net Income	216	132	(66)	112	87
Unrealized Capital Gains (Losses)	(5)	4	0	0	2
Change in Capital and Surplus for the Year	211	136	(66)	112	89
Capital and Surplus, End of Year	\$1,990	\$2,126	\$2,060	\$2,172	\$2,262

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

SUBSEQUENT EVENTS

None.

SUMMARY OF RECOMMENDATIONS

Assumed Premiums (page 5)

The Company assumes premiums for agents' errors and omissions liability and director and officer liability policies written by MAMIC. However, these premiums were not reported as assumed premiums in the Company's Annual Statements. In the future, these premiums should be properly reported.


ACKNOWLEDGMENT

The assistance and cooperation extended by the employees of Lincoln County Farmer's Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
City of St. Louis)

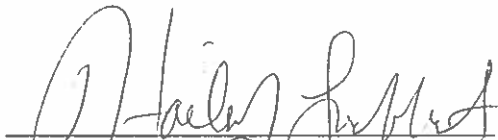
I, Joshua R. Nash, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only the facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.


Joshua R. Nash, CPA
Financial Examiner
Missouri DIFP

Sworn to and subscribed before me this 14th day of March, 2019.

My commission expires:

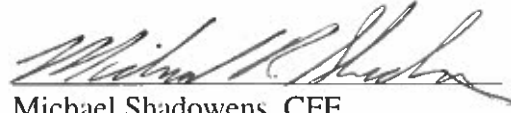
March 30, 2019


Notary Public

HAILEY LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: March 30, 2019
Commission Number: 15634366

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

A handwritten signature in cursive script, appearing to read "Michael Shadowens".

Michael Shadowens, CFE
Audit Manager – St. Louis
Missouri DIFP